2005 White Paper Series:
Dynamic Packaging

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EXECUTIVE SUMMARY

In a world where consumers are far more educated than they were several years ago, the travel industry's future is facing a customer-driven mix of packages, individual products and self-organized travel.

"Dynamic Packaging" is a sizzling new buzz phrase throughout the industry and can be described as the ability for consumers to put together their own trips online by combining one or more elements. The combination of elements can be as basic as hotel + air + car or can be much more complex allowing the inclusion of other activities such as entertainment components.

Dynamic Packaging can clearly be considered one of the industry's key topics, as it has been dominating the podium at nearly all industry events. It is not, however, a new phenomenon. Instead, it has come front and center as a new solution due to the growing popularity, and some may say controversy, of the merchant model and the overall homogenization that has occurred with the sale of travel online.[1]

Historically, leisure travel had been purchased either on a component-by-component basis or in a pre-packaged way where the package components were defined in advance and the package was pre-priced. Consumers did not typically play a role in choosing elements of a package and generally there were no options for modification of the package contents.

At a recent conference one panelist representing the supplier side told delegates to focus on customer wishes and to offer individualized packages matching these wishes. He further said that the number of travelers around the world would continue to increase due to rising prosperity, while online booking would gain even more in popularity.

Dynamic Packaging will continue to grow while leading to new relationships between suppliers, distributors and consumers. The industry will soon experience another level of "coopetition" with Dynamic Packaging as consumers travel from one destination to another but may stay at varying hotel brands.

Dynamic Packaging technology helps online travel customers build and book their perfect vacation. The growth of these combination purchases is a new trend for the online travel market.

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[1]   Key Trend: Dynamic Packaging, Chicke Fitzgerald, The Solutionz Group

According to PhoCusWright's Consumer Travel Trends Survey Seventh Edition report, last year one-third of online travel buyers made a combination purchase of travel components using dynamic packaging technology; this is up from 24% in 2003. While the vacation packages have been available for years, today's custom packages offer the ultimate in flexibility and choice.

Leading travel Web sites let travelers build their own vacation by dynamically mixing-and-matching the purchase of airline tickets, hotel rooms and rental cars into one bundled low price, inclusive of fees and taxes. Customers can be sure they are getting exactly what they want by choosing an online provider that displays specific airline and flight information, rental car provider, and hotel chain and location on one screen before booking.

So exactly what is Dynamic Packaging? Although the meaning of it is not yet universal, some common definitions include:

	Dynamic Packaging:
Common Definitions	◻ Is based on an individual consumer search request;
	◻ The technology includes the ability to combine multiple travel components (typically air, car and hotel) in real time and;
	◻ Provides a single, fully priced package (hiding the pricing of individual components) within 5 – 15 seconds.[2]

Some other alternative definitions that companies are starting to refer to it as are flexible pre-priced components added to a room price.

It is important to understand however, that it is more than just assembling a single price based on individual components; it is more than just implementing the right technology. True Dynamic Packaging is defined as a package for which the overall price and component prices change based on the business rules that govern them, as well as the value of the customer to the supplier, packager to intermediary, and the value of the trip to the traveler.[3] This may also be referred to as Dynamic Packaging "Nirvana".

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[2] Key Trend: Dynamic Packaging, Chicke Fitzgerald, The Solutionz Group

[3] Dynamic Packaging Presentation, Christine Brosnahan, Carlson Hotels Worldwide, HEDNA Barcelona, May 2005

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*"True Dynamic Packaging will be successful because it is **consumer driven**, and not about technology; although technology is needed for its success."*

Christine Brosnahan of Carlson Hotels Worldwide recently spoke these words at the HEDNA conference in Barcelona this past May. The definition she provides takes into consideration the full picture and speaks to where most companies want to and need to go with all pricing. It touches three very important areas: revenue management, customer relationship management and technology – all of which will be explored in this paper.

The paper will explore where the industry is currently, where it needs to go with Dynamic Packaging, and finally how to achieve the true definition.

Within this white paper, the following topics will be addressed:

1. The evolution of dynamic packaging;

2. Key features of a strong dynamic package;

3. The technology and management that is required to support Dynamic Packaging;

4. A review of the key industry drivers including the consumer, supplier, distributor and traditional wholesaler perspective;

5. A review of the key industry challenges such as revenue management and customer service issues;

6. A review of the key success factors including the integration with Customer Relationship Management (CRM) and loyalty programs;

7. Interviews with some of the industry's key players and their approach to dynamic packaging.

In writing this paper, many key industry executives were interviewed. Their input and perspective has been truly invaluable. The executives are:

Jeff Kinder	Senior Vice President Supplier Development, Cendant
David Doucette	Manager, Internet Strategy, Fairmont Hotels & Resorts
Tina Fitch	Chief Executive Officer, EzRez Software
Don Smith	Vice President Hotels / Packages, SideStep, Inc.
Bryan Saltzburg	Vice President Packaging and Cruises, Travelocity
Noreen Henry	Vice President Hotels, Travelocity
Sylvia Lee	Director Packaging and Cruises, Marketing Operations, Travelocity
Joel Frey	Public Relations Manager, Travelocity
Brian Robb	Chief of Staff, Mark Travel
Christine Brosnahan	Vice President Distribution and Reservation Services, Carlson Hotels Worldwide
David Pavelko	Vice President, Business Development & Account Management, Hospitality & Leisure, Travel Distribution Services Division, Cendant's Neat Group
Jennifer Ginty	Director, Electronic Distribution, Hyatt Hotels
Jimmy Suh	Vice President of Revenue & Distribution, Kimpton Hotel Group, and President, HEDNA
Tom Coulthurst	Director, Product Marketing, Synxis
Matt Hersh	Manager, Interactive Marketing, JetBlue Airways
Tom Botts	Vice President, Global Travel Industry Sales & Strategy, Starwood

HEDNA and the Solutionz Group partnered together to educate the hotel industry on a series of topics throughout 2005. This paper is the fourth in the 2005 white paper series.

HEDNA is a not-for-profit trade association whose worldwide membership includes over 200 of the most influential companies in the hotel industry. The association was established in 1992 to further the electronic distribution of hotels throughout the world. For more information regarding HEDNA, please visit www.hedna.org.

The Solutionz Group is a business development and strategic consulting group, headquartered in Tampa, Florida, with offices around the world. Caryl Helsel and Kathleen Cullen are authors of the white paper series and are hospitality industry veterans, as well as past president and vice president of HEDNA respectively. For more information on Solutionz Group, please visit www.solutionz.com.

SETTING THE STAGE

The idea of travel packages used to mean a one-size-fits-all. "If it is Monday, we are in Rome" approach. The package components were predetermined and typically sold through traditional travel agents and tour operators based on their ability to contract individual air, car, hotel and ground components. The traveler's itinerary dates may have been flexible but the pricing was always fixed. This is commonly referred to as fixed, static or pre-built packaging.

The next phase in the evolution of packaging is semi-Dynamic Packaging or customizable packages. This meant a static package with fixed priced components that were interchangeable (typically included a variety of on-property - sometimes off property but hotel coordinated - components) based on a customer's desire or limited business rules. In other words, it is static in that component prices are set, but dynamic due to the total price being based on customer's choice of components. As components are added, changed, or deleted the price changes accordingly.

The one-size-fits-all approach is no longer a viable way to do business. While customizable packaging has been around for quite some time, semi-Dynamic Packaging is proven to be what the consumer is looking for today. Many suppliers and intermediaries are now scrambling to enable this type of packaging.

So why should dynamic packaging be important to a hotel? According to Bruce Redor, director of key accounts, Expedia Europe, package bookers are often preferred over those who book single components because:

- Package bookers typically have a longer booking window - 45 to 90 days in advance of check-in – providing hotels with greater ability to manage their inventory and yield to maximize RevPAR.

- Package customers also typically have a longer length of stay, often four nights or more, resulting in more confirmed room-nights, and incremental cost savings on housekeeping and other room turnover costs.[4]

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[4] M-travel.com Interview with Bruce Redor, September, 2005

Moving forward, the next evolution of Dynamic Packaging is focused on Revenue Optimization:

> Phase 1: Business rules impact the components available and the price offered.

> Phase 2: Business rules to be incorporated into CRM (lifetime value of the customer) and determine the components available and the package pricing.

This is what is considered to be true Dynamic Packaging.

So where is the industry today? Many of the players who already exist in the Dynamic Packaging environment are in phase 1 of this evolution. It is done through the use of the online agencies that play in the arena such as Expedia's WWTE partner or through the direct use of Dynamic Packaging technology.

Today's custom packages need to offer the ultimate in flexibility and choice. Travelers can save up to 50% off the price of purchasing each travel component separately. Online providers give customers the ability to dynamically mix-and-match the purchase of airline tickets, hotel rooms and rental cars into one bundled low price, inclusive of fees and taxes.[5]

Henry Harteveldt, vice president, Forrester Research recently said, *"The Web may be world wide, but how travelers use it in different countries varies widely."*[6]

The European market's concept of selling travel as a package is the norm, with air often provided by charter operators or vertically integrated tour operators. Moreover, several tour operators have been successful in building strong brand recognition, as well as clear segmentation, with each brand servicing specific parts of the market.

The U.S. is almost the mirror opposite. Consumers have been trained to buy a là carte travel products with air provided by scheduled service providers.

Consumers have voiced continuing concern about the benefits of buying travel as a package versus a là carte. They are concerned that the retailers may try to take advantage of the pricing opacity and gouge the consumer.

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[5] Dynamic Packages Put "Custom" Back in "Customer", Travel Distribution Services, Cendant, January 2004

[6] Travel Trends, Forrester, HEDNA Barcelona, May 2005

They are also concerned that the component pieces may not be of equal quality – this particularly applies to hotels and location.

According to Forrester Research, European packaging will be €5.7 billion by 2008, representing 34% of travel mix and U.S. package purchases made online will grow 57%, from $1.1 billion in 2005 to $1.6 billion by 2006. By 2009, U.S. online packaging will reach $3.3 billion; an increase of 186% from 2005. [7]

30% of all online purchasing travelers in the past year include some level of packaging air, car and hotel. And 79% of these created their own package.

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[7] Dynamic Packaging Presentation, Christine Brosnahan, Carlson Hotels Worldwide, HEDNA Barcelona, May 2005

KEY MECHANICS

The following section will address the key mechanics that support a successful Dynamic Packaging environment.

Key Features of Strong Dynamic Package

In order to ensure that Dynamic Packaging continues to be a growing trend and interest among consumers, it is important to include specific features that make Dynamic Packaging successful and relative to the consumer needs.

One of the main drivers in a consumer's desire to book a package dynamically is to ensure that they are getting the best value for their money. Aside from actually showing the consumer the dollar value in savings comparing a là carte bookings versus a total package booking, the consumer needs to be confident that other elements are being proactively considered on their behalf.

Variable Dates for Components

As noted earlier in this paper, historically the pre-built packages were built in advance with generally no room for changes. This included any changes in available package dates.

A key feature to Dynamic Packaging is the ability for the consumer to vary the length of stay so they are not locked into a specific program such as a five night package.

The traditional industry rules of "must book 21 days in advance" in order to receive the most favorable pricing is also becoming a thing of the past. Savvy shoppers have begun to emerge and take notice of even greater savings by booking within two weeks prior to travel. Some of the most attractive deals can be found inside of seven days.

One of the Dynamic Packaging trends the industry is realizing is the benefit in the ability to change the package. This includes not only the rates and components but also the available dates based on the business rules that govern.

"Dynamic Packaging allows no single point and time of setting rates. There can be changes as frequently as you want," says Jeff Kinder, senior vice president of supplier development, of Cendant. He continued on by saying, "The tour operators did all the increases and decreases and the hotels got a fixed rate on specific pre-set dates. Now they can get benefit of rising ADR throughout the year."

The industry has experienced so many changes over the years. Consumers are much more knowledgeable therefore; much more demanding of what they know they want and when they want it. The requirement to customize and tailor the offerings based on the consumer needs is now stronger than ever. It is no longer acceptable (or financially responsible) to create a list of packages that will be offered throughout the year and apply "valid" dates to each package indicating when it is available. Not only is inventory demand constantly changing but also what the consumer wants or needs changes with it.

Personal Customization

Most agree that Dynamic Packaging is one of the fastest growing segments of online travel today. Suppliers want to offer their customers robust content, lots of choices and of course great value.

One of the benefits to Dynamic Packaging is being able to customize a package based on the needs of the consumer. This is a great opportunity for hotels to make their customer's travel experience more personal and tailored to their needs.

Don Smith of SideStep offers, *"Consumers want a personal experience that is catered directly to them based on their past experiences."*

What is the ideal? To offer components based on what you know about your customer and his or her personal preferences.

"Dynamic packaging places the focus on the traveler's overall experience, giving them more choices and the ability to customize every trip based on their preferences, whether those tastes and coinciding brands range from budget to luxury," says Bryan Saltzburg vice president of packaging and cruises for Travelocity.

When it comes to technology, content and personalization will be the main enablers for Dynamic Packaging. Content management systems will become increasingly important and technology, such as intelligent interrogation, will help the consumer who is overwhelmed with choice.

Entertainment and Relaxation Options

The hotel industry has recognized one of the many benefits of offering additional services while the core booking is being made. The additional services or components can be quite simple such as adding on a romantic meal through room service delivery to spa appointments, to ordering specialty items for in room delivery such as work out equipment.

There is real value in the bookings themselves; however, there is even greater benefit in knowing in advance the use of the various hotel facilities, as well as gaining the customer's commitment to utilize the hotel services versus going outside for services. If executed properly, this could be a whole new level of benefit that a hotel can realize, both from the financial perspective, as well as the guest loyalty perspective.

Hoteliers typically understand the value of upselling to their customers. With the added benefit of being able to easily sell add-on package components, hotels should experience increased revenue from all channels that offer these capabilities.

Technology Required

The travel industry in particular has been doing packaging in some form since its advent. Technology has simply streamlined the process, making it more efficient and 'intelligent'.

In the Dynamic Packaging environment, numerous business rules exist in the background, determining which components can and cannot be sold on various days/dates, in various combinations and in various sequences. This is somewhat similar to the workings of a sophisticated revenue management system.

The technology behind the capability is not simple technology however; it is a very important part of the picture. Technology now makes things less painful and more flexible for hotels and for their customers. It also can mean less data maintenance.

The following graphic illustrates visually the complexity of how this is working behind the scenes.

Technology infrastructure example:
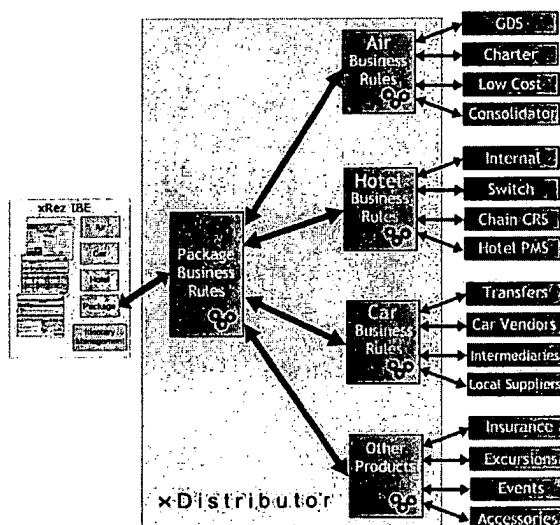
Henry Harteveldt however, offers a word of caution for hoteliers. *"Hotels might invest in too much and the wrong kind of technology, as has happened with other fast-moving trends."*[8]

Taking Harteveldt's experience and caution into consideration, it would be wise for hotels to fully understand the technology and how it works with their existing technology prior to investing. The types of packaging and supporting technology will be reviewed later in this paper for a better understanding of what may work best for various hotel companies.

Skill Set Required

The complexity of these systems can be intimidating to hoteliers as they begin to set up their business rules and get ready to use the system. It requires the ability to be able to properly manage the numerous business rules. This requires a special skill set or previous experience with intelligent systems such as automated revenue management systems.

One of the issues that hotels face in proper management of the systems is the ability to set the business rules and let the system manage most everything from there with little intervention from the user. If the business rules are initially set up properly, including the solicitation of the appropriate team members, and there has not been a significant change in the hotel's environment such as major demand shift or hotel offerings, then there should be very little need for human intervention and overriding of the offerings. However, for most it is difficult to trust the initial set up and ongoing recommendations of these complex systems.

Experience with other intelligent systems, such as a revenue management system, shows that there is a lack of understanding the damage that can be done by simply making adhoc changes to the various business rules without looking at the big picture as a whole. Or just as harmful, when a parameter needs to be changed but is not recognized by the user as a need for change based on the lack of understanding of how the system works. It is vital to the success of these systems to ensure that the appropriate person is overseeing it. It is also just as important that this person receives the appropriate training.

The following graphic is an attempt to visually provide an overview of the complexity to these systems.

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[8] The dynamite of dynamic packaging, Hotel Report, April 2005

Distribution Channels ... Travel Suppliers
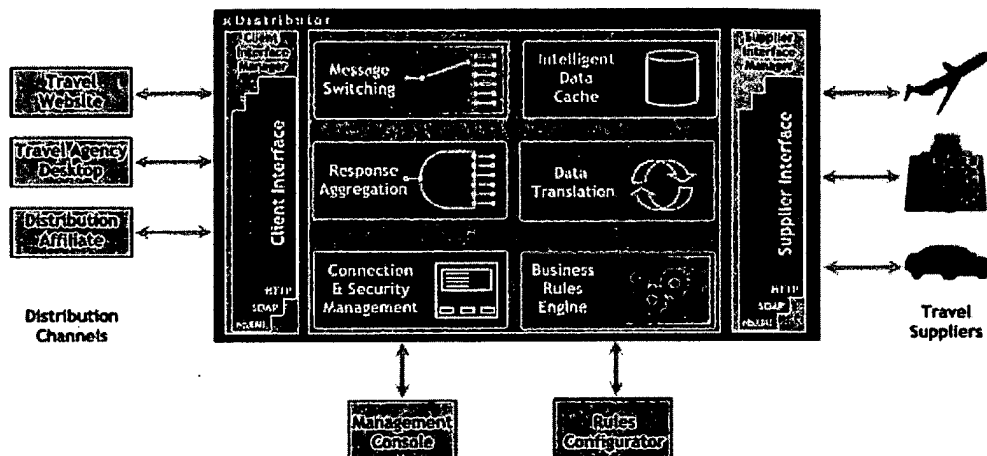
Types of Packaging

Hoteliers are making different choices in how they go about their Dynamic Packaging efforts. Some outsource it to companies such as Travelocity or Expedia, through WWTE, that offer private-label solutions; others get technology companies to create or adapt software for them.

There are a number of different companies involved in the Dynamic Packaging arena. Later in this paper, a review is provided on a few of the companies and their approach; however, this section will address the different types or categories each of the players may fall into, as well as some of the pros and cons to each.

Technology Provider Support

The first category is those companies who fall into providing the technology to support a Dynamic Packaging environment such as Trisept Solutions, Neat Group or EzRez. These companies are the providers of the technology only. This is done either on an ASP basis or with the technology integrated into the client's IT platform.

An example of the technology provider supporting a supplier is Hyatt Vacations. Hyatt has deployed the WWTE engine as the power behind its Dynamic Packaging tool. The tool is accessible on its Hyatt Vacations site, noted as hotel, air & car travel packages on the www.hyatt.com home page.

The following is an example of the www.hyattvacations.com page. This is what their customers would see when they select Travel Packages from their home site.
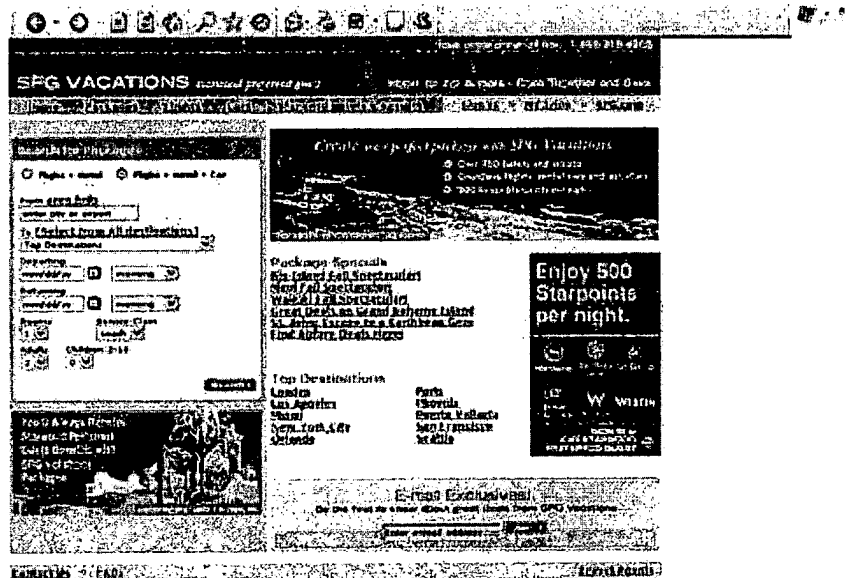
The Hyatt customer has the ability to search for a complete package or they can search by various components.

Another is Starwood's use of EzRez providing its software to support their Dynamic Packaging initiatives. Starwood's customers can find their packaging information on www.spgvacations.com.

Some of the benefits for the supplier using this type of environment are as follows:

- The supplier has full control of the sale;
- They work directly with the consumer;
- They can customize the solution to their needs;
- The supplier controls the selection of partners to distribute to;
- The supplier receives all the profits.

On the other hand, this environment also includes the following responsibilities:

- The supplier is responsible for the full sale including taking the credit card information;
- They are responsible for all the service risks.

That said, some hotel companies interviewed for this paper have had a rather low number of bookings resulting from packaging that includes other travel components offered on their proprietary Web sites. Some are drawing the conclusion that consumers are not really interested in buying packages that include other travel components, such as air and car, from a hotel site.

Private Label

The second category is those that provide both the technology and the merchant model content as a packaged deal such as Expedia, Travelocity and Orbitz.

Before this category is explained further it is important to point out that companies such as Travelocity and Expedia's WWTE offer a private label solution, in addition to offering Dynamic Packaging on their Web sites directly to the consumer.

Using Travelocity as the example, they have used their own internal resources to support their Dynamic Packaging tool.

The benefits to using this type of solution are:

- The online retailers are able to draw on their own merchant hotel database. This relieves the suppliers of having to create and manage additional partners;

- They are responsible for the full sale and all the technical requirements and investments;

- They typically have significant larger marketing budgets compared to suppliers thus, allowing them to speak to a larger audience.

On the other hand this solution requires:

- Hotels have to work with providing pre-set inventory allotments;
- Hotels do not benefit in the mark up profits;
- Hotels are relying on the third party provider to build the relationship with the consumer and are required to distribute their packages to the third party provider's partners.

So prior to hotels moving into this arena, clearly it would be wise to explore the options that will work best for them.

Management at Property Level

Dynamic Packaging is a highly complex undertaking for hotels themselves because of such issues as pricing, partnerships and technology. It is not simply a question of coming up with a price that includes several travel elements, but having an overall price and component price changes based on the business rules that govern, as well as the value of the customer to the supplier. This means that every package is different, depending on the specific components – and the consumer himself.

All of the major American hotel lodging companies have begun to offer dynamic packages, with varying degrees of intensity. *"Hotels do this"*, says Henry Harteveldt *"because it's relatively inexpensive and can improve margins. However, they have to make sure they're working with the right people, putting together the proper deals and getting the best technology. Potentially, it's an overt way to reduce their reliance on third-party intermediaries."* [9]

Remember that while the word "dynamic" ordinarily enjoys positive connotations, it is defined in the dictionary as "characterized by continuous change, activity, or progress." It is not necessarily a positive or a negative word, but is always voluble – like dynamite. Be careful handling it. [10]

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[9] The dynamite of dynamic packaging, Hotel Report, April 2005

[10] The dynamite of dynamic packaging, Hotel Report, April 2005

KEY DRIVERS

Thus far, this paper has provided a definition of Dynamic Packaging and a review of the key mechanics to Dynamic Packaging. The following section will review the key areas that are driving the industry's focus on Dynamic Packaging, as well as the need for it from each of the various perspectives.

When the industry speaks of packaging it is typically thought that it applies to the leisure segments. This section of the paper will address the various perspectives on the key drivers of Dynamic Packaging – both corporate and leisure focused.

Consumer Perspective

As noted earlier in the paper, the majority of U.S. consumers has historically stayed away from booking packages and lean more towards the selection of a là carte travel products. This has been due to the consumer finding the online travel packages inflexible, as well as not seeing the benefits to booking these packages. For Dynamic Packaging to take off consumers need to be convinced of the real benefits.

In a recent interview with Sylvia Lee, director of packaging for Travelocity, Lee says the company has noticed consumers are much more open and receptive to buying packages. *"The traditional viewpoint of a U.S. consumer used to be more negative and limiting in terms of choice, quality and flexibility. People now understand a lot more thanks to our marketing, advertising and educational messaging about why it pays to book together. These benefits include choosing from your favorite brands, customizing a luxury to budget trip, 24/7 service from destination experts and of course, access to special negotiated rates only found in package purchases. Additionally, we've seen an increase in packages that include insurance, car rentals and popular tours and activities."*[11]

Lee also offered that they are seeing that the consumers are now much more comfortable with buying packages online therefore, consumers are starting to branch out from the traditional leisure destinations one would need a package like Hawaii and Mexico.

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[11]   Interview with Sylvia Lee, www.eyefortravel.com, October 2005

"The trend is moving towards more city stays like New York, Chicago, San Francisco, Dallas, etc. People are taking more city breaks and adding in their favorite shows and activities to save more time in the booking/planning process."[12]

Many consumers simply do not want to spend their time searching for flights, hotels and add-ons such as airport parking. The travelers who are prepared to invest in an expensive package may prefer to deal with a reputable brand allowing them to do all the legwork for them.

In contrast to the Priceline/Hotwire opaque models, with Dynamic Packaging the consumer is not restricted in viewing any information – other than component pricing – when making a purchasing decision.

As consumers become more and more comfortable and educated with booking packages online and realizing the benefits not only financially but also in the time savings booking packages allows them, this segment in travel will continue to grow.

Dynamic Packaging will grow, Henry Harteveldt says, although it will do so in a different way in Europe where, he maintains, "There has been a heavy-packaged holiday environment, more so than in the U.S. because of the airline infrastructure and regulatory environment."[13]

Finally, today's consumer expects that their needs are to be met or even anticipated in advance. Suppliers have a greater opportunity to support this requirement through Dynamic Packaging.

PhoCusWright's consumer research clearly shows that most consumers prefer to create their own packages rather than purchase pre-package trips. Nearly one-fourth of all online travel buyers have bought some type of air, car and/or hotel combination in a single purchase; nearly 80% of those buyers have created the package themselves.[14]

Supplier Perspective

Today suppliers are seeking new ways to move inventory and gain share without competing one-to-one on price. They are also looking for ways to shift marketing share away from online retailers back to their own sites. Dynamic Packaging introduces a world of hidden discounts and enhanced marketing and merchandising to communicate consumer benefit of purchasing in this way.

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[12] Interview with Sylvia Lee, www.eyefortravel.com, October 2005

[13] The dynamite of dynamic packaging, Hotel Report, April 2005

[14] Dynamic Packages Help Customers Build a Perfect Vacation, April 2005

Furthermore, hotels have a desire to increase revenue per stay by offering flexible packaging that includes services, products and amenities dynamically. Jimmy Suh, vice president of revenue and distribution for Kimpton Hotels and president of HEDNA said *"Dynamic packaging in its truest sense needs to incorporate the various services and amenities. In other words, people often associate air/car/hotels with Dynamic Packaging and from a hotel's perspective, we look forward to systems that can dynamically include other services that are offered within the hotel, e.g. spa, breakfast, dinner reservations, parking, etc...where we feel that both the hotel (in terms of higher profit margins) and customers will benefit."*

Suh went on to explain some of today's challenges with offering these capabilities, *"Several CRS's and IBE systems claim they offer the services today, but the problem is that CRS's and PMS' do not work seamlessly in this arena. Another related challenge is that packages that include hotel services can rarely be broken down to have the service trigger on a specific date of their stay versus having that service associated with everyday of the guest's stay."*

Through their affiliates with sites such as Priceline and Hotwire's opaque model, suppliers have recognized the benefits of moving inventory opaquely. The challenge with this model is the supplier's brand is not part of the traveler's decision. One of the primary benefits of Dynamic Packaging for suppliers is to limit, if not eliminate, pricing transparency for individual travel components. This is an opportunity for supplier's to bring their brands back into the deciding factor of the consumer.

"Because the component prices are masked, suppliers are more willing to give Travelocity special rates for use in dynamic packages," says Bryan Saltzburg. He continued on by saying, *"Travelers in turn, are afforded these special rates when they book their flight, hotel, car rental and other travel extras together."*

In late 2004, Starwood Hotels launched their one-stop vacation planning tool – SPG Vacations – allowing guests to easily create their own customized travel package, complete with hotel, airfare, car rental and destination activities available at their hotels globally.

"Dynamic packaging was developed to serve consumers who want to buy multiple travel components, particularly at our resorts, at one time on our branded websites such as Sheraton.com and Westin.com," says Tom Botts, Vice President, Global Leisure Sales & Strategy for Starwood.

Starwood's technology partner, EzRez, allows Starwood to control pricing, inventory, distribution and customer data. Partnerships such as these allow suppliers to better control their own distribution. In addition, suppliers can get to know their customers better.

JetBlue Airways has a similar perspective about getting to know their customers better ultimately by maintaining the customer's overall experience from booking a reservation to completing their flights. *"JetBlue's goal in being a supplier of dynamic packaging solutions, was to deliver our brand through the various communications vehicles – while creating a unified experience for both internal and external customers,"* said Matt Hersh, JetBlue's Manager of Interactive Marketing. *"We want our customers to have many options when building their vacations, so it's important we are able to provide a packaging site that gives them choices."*

Typically the Dynamic Packaging environment speaks to leisure travelers. However, the industry is beginning to see some companies starting to apply, or at least talk about applying, the Dynamic Packaging model in the business or negotiated rate world.

In some ways, the corporate traveler is better suited for Dynamic Packaging. Most corporate travelers need airfare and hotels at a minimum and many times can be more price sensitive versus brand focused (or at least their corporate travel managers will be).[15]

Hotels need to begin thinking in terms of "coopetition". Not only will we see more supplier-to-supplier relationships such as hotel-to-airline, but we will also see hotel-to-hotel relationships formed.

Distributor Perspective

Many airline and hotel Web sites, including Starwood.com, Marriott.com, and Hilton.com, are initiating steps to take greater control of their vacation businesses, and are attempting to mimic online agencies in their breadth of offerings. Throw in ground tours, theater tickets and some more functionality, and supplier sites could be on the road to resembling online agencies.

Over the last couple of years, many supplier Web sites have been gaining the upper hand over online agencies as consumers' booking venues of choice.

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[15] Key Trend: Dynamic Packaging, Chicke Fitzgerald, The Solutionz Group

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HEDNA addressed the topic of Travel Search Engines in their second white paper earlier this year, pointing out that there is a proliferation of Travel Search Engines such as FareChase and Sidestep. This is yet another way that suppliers are appealing to the consumer to attract them directly to their sites first.

Don Smith from SideStep says, *"While not directly in the packaging business, we have had the opportunity to cross sell hotels when the user is booking flights."* This not only provides a cost savings to the consumer but it also provides additional revenue opportunities for the suppliers.

JetBlue's drastic move earlier this year to drop out of its last GDS distributor suggests that a lot more disintermediation is in the offing, with airlines, hotel chains and car rental companies opting to work directly with other suppliers rather than ceding control to third parties.

Web shoppers are increasingly logging on to supplier sites to book by the brand. A success story of this trend – JetBlue Airways – already knows how successful a direct-consumer relationship can be. Now, the carrier has its eye on stabling direct relationships with other suppliers.[16]

This news is of particular interest and relevance because of its existing relationship with one of the major online agencies private-label service to manage their bookings of hotel and car rental add-ons on its site. While this relationship will still continue, JetBlue decided to go another route versus extended it.

"We decided on an in-sourcing of pretty much the whole thing other than the technology platform, which is done by EzRez," explains Tim Claydon, senior VP of sales and marketing for JetBlue.[17]

The decision was as much about retaining control of the customer experience as of the JetBlue brand. *"By managing the product in-house, we get to choose exactly the partners that really fit the JetBlue personality – it's a very natural and careful extension of the brand,"* Claydon says.

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[16] JetBlue Plays For Extra Packaging Cash and Control, Travel Distribution Report, April 2005

[17] JetBlue Plays For Extra Packaging Cash and Control, Travel Distribution Report, April 2005

The company expects that its online offerings will differ from what consumers find on the sites of major Internet players, which must have a broad set of offerings to satisfy their huge customer base. *"We're a little bit more tailored and more niche in terms of what we can offer our customers,"* Claydon adds.[18]

The trend could put more pressure on online agencies, which see the growth of their dynamic packaging businesses as strategic. With hotels having become mighty possessive about merchant model inventory, the online agencies see dynamic packages as a key way to make ample margins.[19]

If the industry continues to see similar initiatives taken by the example of JetBlue, this may force the online agencies' to further revamp their business model. That said however, as the industry sees the packaging trend continue to grow and suppliers continuing to create more compelling offers and experiences on their own Web sites, it does not mean that suppliers will not have important relationships with third parties and intermediaries.

Fairmont Hotels & Resorts for example, met with their key partners to ensure that they explained their position for entering this market and wanted to ensure that they were not trying to push them away. Instead, they see them as a very important part of their business. Fairmont wants to ensure they are meeting the needs of their customers by allowing the customer to book through the channel of their choice, as well as ensuring that they remain competitive in the market place.

By meeting with their key partners, *"Fairmont has strengthened our relationships further"*, says David Doucette. He continued, *"We are not interested in undermining the online agencies. We believe in offering price integrity to our customers and allowing them to transact through the channel of their choice."*

Further to the Fairmont message, Travelocity is offering the consumer comfort in continuing to work with them. *"The Travelocity Guarantee we launched earlier in the year is our direct message to the consumer that reaffirms our lasting commitment to ensure that everything about their booking will be right or we'll work with our suppliers to make it right, right away,"* says Bryan Saltzburg.

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[18] JetBlue Plays For Extra Packaging Cash and Control, Travel Distribution Report, April 2005

[19] The Technology Beat: A 'dynamic' trend?, Travel Weekly, March 2005

In a recent press release Tracey Weber of Travelocity said, *"The profound growth of our hotel and packaging businesses – hotel room night across the Travelocity network were up 41% and packaging revenue grew 81% year-over-year in the second quarter of 2005 – shows that these offerings have resonated with travelers. Driven by our Customer Championship philosophy, we pushed ourselves to develop new features that would add meaningful value to our shoppers and enhance their ability to create the best travel experience."*

So it remains to be seen how the distributors and suppliers continue in their ongoing struggle with gaining the customer's booking venue of choice.

Traditional Wholesaler Perspective

With the rapid changes the travel industry continues to experience, it is imperative that the players in this arena continue to grow with the changes. Unfortunately, the traditional wholesalers have had their challenges in keeping up with the growth pace in terms of an updated business model.

Speaking at a 2003 Institute of Marketing Travel Industry Group event, the president of a major wholesaler company made the following statement, *"Packages are a little bit too complex to sell in any volume on the web and we hope it will stay that way."*

Until a couple of years ago, this part of the business continued to function well on a traditional model based on static pricing models, blocked inventory, and extensive agent and reservation center support. Not only did they function well, they were extremely successful. Their ability to be successful in their traditional role can continue to serve them well in the Dynamic Packaging battle if they assert their traditional role as the industry's travel product packagers.

As part of the research for this paper, Solutionz spoke with Brian Robb, chief of staff for Mark Travel. *"The practice of dynamically combining elements into one transaction does not define a brand,"* says Robb. He continued with, *"Mark Travel likes to think the consumer is not just buying various components. There is a total experience the consumer is buying. They are using our technology to shop for and buy a total vacation experience."*

Mark Travel offers a 24-hour service for their customers, sometimes based in the destination location, to assist them with any issues, concerns, or requests they may have.

A good example of this is the support that Mark Travel offered to their customers in Florida and Mexico during Hurricane Wilma. Mark Travel has placed people on the ground, greeting customers individually to take them to shelters and ensure they are safe.

"We take care of our customers in a different way than others. This applies not only in times of disaster but also in the case of wanting to upgrade their room or add another component after they've arrived at their destination," says Robb.

Over the last two years or so, technology suppliers have been busy updating their systems to allow tour operators to dynamically package with ease. The majority of tour operator reservation systems now offer comprehensive functionality to allow operators to put together packages that bundle their own contracted inventory with attractive third party products.

Robb offers, *"The technology gives customers access to information and enhances opportunities for the experience, but the remainder of the vacation experience is not about the technology. There are many more elements and activities needed to ensure that they have a successful vacation experience."*

"Whilst the industry is hailing Dynamic Packaging as the travel agents' saviour, it is tour operators who may be the big winners. They are the people who get out there and contract the best product at the best prices. This means they should be able to make a better margin than agents even when dynamically packaging their inventory with zero commission products. Those agents that are succeeding are those that are adopting a tour operator business model."[20]

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[20]   2005/2006Tour Operator Technology Review

KEY CHALLENGES

The following section addresses some of the key challenges as it relates to Dynamic Packaging. There are key areas that need to be recognized as challenges so they may be properly addressed.

Revenue Management

Revenue Management is practiced in nearly every industry that exists today. Most in the travel industry recognize that this as a key area to properly manage in order to achieve maximum results.

The year of 2004 was when most hotels and hotel companies expanded (or implemented in some cases) the role of the Revenue Manager. Typically revenue management techniques include detailed forecasting, demand assessment, channel production evaluation and overhead cost measurement, attentive inventory allocation and displacement analysis. However, revenue management has not yet fully matured to the point where it considers intangibles such as a customer's ongoing relationship with the hotel. Instead, most still focus their analysis on one point in time.

Dynamic Packaging provides hotels an opportunity to learn more about their customers total needs and total stay pattern (even outside of their own stay history); thus, allowing them to revenue manage them more accurately. While this area will be explored in much more detail later in the paper, it is important to note it here because, while it is an enormous opportunity for the industry, it brings further complexity into the picture.

Jimmy Suh expressed concern about the intelligence being employed for pricing dynamic packaging. *"Online Packaging has taken off well for the online travel agencies (OTA's). It appears that it was a latent opportunity that was heavily marketed and exposed by the OTA's in the last few years and the popularity of these packages has increased beyond our expectations; however, I am troubled by the lack of pricing intelligence that is associated with dynamic packaging. It appears that no one from the suppliers and distributors truly knows what the discount price point threshold is to make dynamic packaging a successful program. In other words, do the hotels (and the airlines) have to offer such a discounted rate and/or how much of the success is associated with the convenience factor; therefore, not having to offer as great of a discount.*

Are hotels taking too much of the discount burden?? These are questions that have not been intellectually explored by the industry."

Yet one more area that presents a challenge to hoteliers or suppliers in general is accurate forecasting. As Dynamic Packaging is a relatively new product in this space, hoteliers do not really have a good sense of how successful this will be; other than knowing it is going to be attractive.

When examining Dynamic Packaging for a company, it is important to ensure a good understanding of how revenue management plays into this area. There are both technological and operational challenges.

Some important questions to ask are:

1. How can you integrate revenue management and package pricing strategies?

2. How can you adapt your existing revenue management processes to support Dynamic Packaging?

3. What revenue management technologies exist for packaging?

4. How will an RMS work with the technology, thus the business rules, for those suppliers currently supporting Dynamic Packaging on their proprietary Web site? Do they work together or do the combined business rules conflict with each other? If a hotel uses an RMS, do they have a need to utilize the business rules within the Dynamic Packaging technology?

5. For those operating on a manual revenue management system how is it best to handle managing the business rules? How time consuming is this?

Some of the technologies offer a limited amount of rates or room types that can be managed and distributed. The degree of autonomy that a solution provides needs to be considered as, if it is limited, then it could be a challenge for the hotel to integrate Dynamic Packaging into their revenue management strategies. David Doucette offered the following example, *"Fairmont wanted to ensure that the hotels had full control of their inventory. Being able to open or close room categories or overall inventory and the ability to yield rates was a predefined requirement."*

Travelocity suggests that suppliers benefit from the "dynamic" aspect of their technology because it allows suppliers to control their yields. Other industry players suggest that "none of the online players currently offer true 'dynamic' packaging."

So what are some of the answers to the questions above? How does one know which companies are providing the best technology or the most sophisticated business rules to support a hotel's revenue management initiatives?

The truth is that the Dynamic Packaging technology and revenue management systems work very differently. In an ideal Dynamic Packaging world – or better yet – true to the definition of Dynamic Packaging or Dynamic Packaging "Nirvana", both technologies would work together to know the customer and create an offer based on that knowledge and the business rules. Today, revenue management systems create an offer regardless of the customer. Perhaps this additionally enhanced functionality will be in the next generation of revenue management systems?

Purchasing Issues

The development of new technology that has exploded over the last several years has left the door open to multiple levels of companies offering Dynamic Packaging options. Subsequently it has lowered the bar for entry into the Dynamic Packaging world. Companies can now offer a package product to customers without the investment that was required several years ago.

As a result, it provides the consumer with multiple options and more opportunities to compare information. However, it also means that the consumer can look forever...and ever...and ever...There is a clutter of information now available to the consumer making it difficult for them to choose. This can lead to indecisive or overwhelmed customers who, ultimately, may find it difficult to make a purchasing decision.

A report in Hotelmarketing.com announced, "...the interest and involvement of people and businesses in all things online is at an all-time high. The Netcraft "October 2005 Survey" found 74,409,971 sites, an increase of 2.68 million sites from its September survey."[21]

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[21] Web growing faster than ever, Hotelmarketing.com, October 21, 2005

While this report is referring to Internet growth in general, it does show the enormous amount of growth in new entrants every day. Thus, a huge increase in the amount of information that is available to the consumer.

It is important for the industry players to keep top of mind that Dynamic Packaging can be supported by the greatest technology in the world. However, if it is not merchandised or marketed correctly, or if Dynamic Packaging is hidden on the site, then it will not be useful to the consumer; thus its success will be limited.

Christine Brosnahan said, *"It's all about the customer. By making the offer relevant to the customer, you will make it easier for them to find what they are looking for. Increased customer satisfaction ultimately results in an increase in conversion."*

Customer Service and Loyalty

Customer satisfaction may not be the end goal anymore. Companies are realizing that loyalty, not satisfaction, is the Holy Grail for more profitable customer relationships. Today, customer satisfaction may not even be within a company's reach.

Dynamic Packaging puts increased demands on customer service. Some common questions that arise when discussing implementing Dynamic Packaging are:

- Who should take the responsibility for the issues that are related to all components of a packaged product?

- When the consumer is booking a package on a hotel Web site for multiple components - hotel, air and car - the consumer should not recognize a difference in how the service is being handled by the various suppliers. If they have an issue, who shall they contact?

With Dynamic Packaging the industry will see a decline in the traditional customer service tactics. Combining suppliers' efforts will play a strategic role in pushing the customer from logic-based satisfaction to emotion-based loyalty. But this type of transition will not occur without changes to the customer service philosophies, as well as embracing the new roles and relationships.

Selecting Appropriate Dynamic Packaging Partners and Distributors

Now that the industry recognizes the importance and the benefits to offering a Dynamic Packaging solution to the consumer, one of the initial challenges facing executives is how best to move forward to ensure they are working with the most appropriate partners and distributors. Is it best to partner with a technology company to support Dynamic Packaging initiatives? Or partner with a distributor already existing in this arena and have existing partners and marketing dollars?

The online distributors such as Expedia and Travelocity bring an immediate benefit to the suppliers – they already have a large platform of existing partners. This means that, by using their technology, a hotel company is automatically partnered within their distribution partners. This greatly reduces the cost of entry or cost of creating these partners themselves. On the other hand, this also limits a hotel's choice of their selection of partners. They do not have control over who they partner with.

In addition to this, the supplier is also limited in promoting some of their offers due to their technology. For example, a major hotel company uses one of the online distributors to support their Dynamic Packaging initiatives. However, the online distributor uses a single database platform to support all their programs – including Dynamic Packaging. Therefore, if a hotel does not participate in other marketing programs, then they are unable to be sold through their company's Dynamic Packaging program. Additionally, their Dynamic Packaging offer must be equal to that of any other offer through the same online player, which complicates pricing for packaging.

Another area that is important to review is how customized can the look and feel be when utilizing a third party distributor or pure technology provider. Will brand standards be easily employed? Will integration with the brand Web site be consistently maintained?

Marketing is another big deciding factor. The players such as Expedia and Travelocity offer large marketing opportunities and excellent reach with an existing number of customers available to them. Often, hotels cannot achieve the same level of marketing spend as online agencies budget's allow.

Bryan Saltzburg of Travelocity says, *"Customers are now savvier and realize that booking together does in fact translate into relevant savings over booking the components separately.*

We want to feed this trend by making our dynamic packaging offer as compelling as possible and we have an entire team of market managers across the world that work hand-in-hand with all of our supplier partners to ensure this. Finally, selling dynamic packaging helps Travelocity sell a destination and help decommoditize our business – Site59 really laid the groundwork in creatively marketing less traditional leisure destination by selling the overall experience – not just an airline seat or a room."

Now on the other side of things, JetBlue made the decision to use EzRez's platform. "With EzRez's platform, JetBlue is also free to form its own relationships with suppliers such as hotels and car rental companies."[22]

Fairmont's relationship with Neat offers a hybrid solution allowing them to leverage the Neat / Cendant Dynamic Packaging partners but also allows them the flexibility to manage partnerships themselves.

Defining Merchant of Record Functionality and Responsibility

In preparation for implementation of Dynamic Packaging capabilities on the supplier's proprietary Web site, it is crucial to fully understand the responsibilities associated with this and how the supporting technology works in this area.

In most cases, when the supplier supports Dynamic Packaging on their own site they typically become the responsible party for the merchant of record on behalf of all travel components. However, in some cases technology does allow for individual providers to retain the responsibility as the merchant of record. In addition, some of the technology providers take on the responsibility for the merchant of record. One of the benefits to taking on the responsibility is that this allows the supplier to hide its margin to other suppliers.

On the other hand, the supplier is then responsible for collecting the credit card charges. The supplier also is assumes the charge back risk. It is important to ensure that proper procedures are set in place to manage the settlement with other suppliers.

And finally, when the technology provider or other partner is the merchant of record, this raises another challenge in the eyes of the consumer.

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[22] JetBlue Plays for Extra Packaging Cash and Control; Travel Distribution Report, April 2005

If they book on brand X Web site, then they believe they are doing business with a specific brand; thus, relationship responsibilities fall on them. This could be deceiving to the customer. The responsible party must be clearly defined to the customer.

Partnership versus Turn-key Solutions

When deciding on how best to offer a Dynamic Packaging solution a good starting place is to discuss what type of solution to your company is seeking – a partnership solution or a turn-key solution.

Companies such as Neat provide a turn-key solution for their customers. This means that utilizing Neat as a Dynamic Packaging solution will offer the full solution including:

- product availability online;
- product availability through a call center environment;
- partnerships through the Cendant relationship;
- the ability to negotiate with other Neat partners one-on-one, working together to create promotions to move market share.

The partnership route allows companies to utilize the technology, but still provides for much more flexibility in partnership and distribution decisions. This is often the preferred route of hotels that desire to expand upon partnerships that already exists, providing more value to the overall partnership value proposition.

Marketing

One final area that presents a challenge in the Dynamic Packaging space is the promotion of the product.

Trying to promote and market Dynamic Packaging is a challenge. "*It is tough to quote rates in a marketing tease because of the dynamic nature of the product,*" said Matt Hersh of JetBlue.

Matt Hersch continued on by saying, "*We decided to do the dynamic part of this so customers have full access to availability...how we put the price out there is a challenge.*"

The industry will continue to see more partnerships, more connections, more offers and will branch out to other areas to include in the offerings. So this is one area that remains to be seen on how to best address this challenge.

KEY SUCCESS FACTORS

The following is a review of the key factors that make Dynamic Packaging successful.

Identifying Technological Business Requirements

Before entering into a relationship with a technology partner there are quite a few factors that should be taken into consideration and reviewed during a due diligence process in order to decide the best solution for your company.

The following is a list of some factors to consider during this review process:

FACTORS	COMMENTS
The level of automation that the vendor's solution can provide.	What interfaces are available to your CRS or PMS? How important is it to be automated?
The degree of autonomy that the solution provides.	How much control do you want or need to manage the availability of rate and room type categories? How much control do you want or need to determine the offers?
What impact will your entry into Dynamic Packaging have on your current partnerships with the online players such as Expedia or Travelocity?	Would it be wise to discuss your initiatives with them directly to ensure an ongoing successful relationship?
What is your target market?	Can this be supported?
Can the vendor support transactions from numerous markets?	If you operate in global markets, this will be an important consideration.
Can the vendor support multiple currencies?	If your consumer base is global, this will be an important consideration.

FACTORS	COMMENTS
How flexible is the vendor with the site design?	Can they tailor to your look and feel all the way through the entire booking experience?
What type of customer support do they offer?	Refer back to Merchant of Record section for the specifics of why this is an important factor.
If you choose to leverage their partnership opportunities, how deep is their list of activity opportunities in areas such as Dubai compared to obvious areas such as Maui.	Analyze your target markets and determine if this is a good fit with the potential partner's depth of opportunities in the various markets.

Defining Successful Business Rules

The Dynamic Packaging technology that is available to the industry today – regardless if it is through a technology provider or a private label third party company offering the supplier's inventory through their site – allows hotels to define their own parameters or business rules in order to maximize their packaging offers; thus, their revenue.

Based on the supplier's objectives, the technology allows the parameters to be defined in a rules based engine. These rules can even differentiate offers by type of travel in some cases. Using Neat as an example, their platform allows the system to make certain assumptions about the type of traveler based on the input. For example, if the request is for weekday one evening, it is assumed that this is a business traveler; thus can offer a package tailored for business needs.

True Dynamic Packaging "Nirvana" would include knowing a lot more about the consumer such as the value of the customer to the restaurant, hotel, airline, etc. However, this information is typically not available in today's environment. Therefore, the business rules can not be easily defined until there is more understanding of who the customer is and what their true value is.

Determining Sufficient Resource: Human and Technological

In order to successfully execute and manage Dynamic Packaging it is necessary to understand the resource requirements needed – both human and technological.

There are four primary staffing areas that require attention:

1. Technology: This area is a must to support Dynamic Packaging. It can be handled internally or outsourced to a technology company specializing in Dynamic Packaging. However, either way, internal resources will still need to be provided in order to ensure proper integration with existing systems such as a PMS or CRS.

2. Partner Relationship Management: The second area is the management of the partner relationships with other suppliers, technology companies and package distributors. This person needs to manage the relationships and ensure that all companies are working together in the most efficient manner, as well as promoting, and creating future, packaging components properly.

3. Revenue Management: This is an important element in managing a successful Dynamic Packaging environment. Without properly assigning revenue management responsibilities, it is difficult to ensure maximum benefits received.

4. Marketing: This last area is responsible for the marketing efforts. This area needs to ensure that the proper marketing is being executed, promoting the products to keep them competitive and successful.

Providing Inventory

Deploying technology that is flexible and scalable enough to support multiple, real-time connectivity mechanisms that provide pricing and availability searches at a low cost is critical when considering Dynamic Packaging.

As mentioned in the revenue management section of this paper, one of the major factors Fairmont reviewed with technology companies was the ability to control their own inventory as they needed to control it.

When suppliers negotiate their contracts with the distributors, they typically allot specific inventory that distributors will make available for sale. Typically, if the distributor is unable to move that allotment, they can release the inventory.

Providing these allotments to the distributors presents the suppliers with both significant risk and opportunity. It is important that proper market research is available to assist with making these decisions.

Tom Coulthurst, director of product marketing for Synxis offered the following comment, *"I believe that moving forward hotels are looking for more items to bundle with their rooms that provide additional revenue to the hotel and a value add for the consumer. These packaging solutions should use an automated interface and when possible give the hotel or provider inventory and pricing control of those items."*

Dynamic Packaging has opened up a great opportunity for hoteliers, as well as a great value to the consumer. Hotels can now build a new package anytime for anywhere. It is a great way to move inventory opaquely.

How big can Dynamic Packaging become? The market is fairly substantial. It is dependant on how much inventory the suppliers will make available and how comfortable the consumer is with shopping for packages.

Partnering with Other Suppliers, Technology Companies and Package Distributors

One of JetBlue's main factors that make Dynamic Packaging successful for them is the ability to partner directly with hotels or other suppliers. *"What has made supplier-powered dynamic packaging attractive for JetBlue is our ability to select the individual business partners either by customer recommendation or JetBlue employee experience."* said Hersh.

Consumers are expecting more options with greater flexibility online – not just for travel, but for all consumer goods and services. Companies that are able to deliver diverse options with optimized pricing that react to the customer needs and market conditions will garner repeat visitors and greater transactions.

Tom Coulthurst of Synxis said, *"Hotels are also looking for ways to offer air and car bookings on their web site without having to sacrifice room margin to the provider and to be able to offer competitive air and car rates, although I am not sure this really is possible with most of today's providers. In addition, hotels are looking for ways to offer the ability to book package elements beyond air and car to include hotel services, activities and amenities only in some cases these are offered after the room booking, providing real incremental revenue to the hotel."*

Two very important factors to consider when deciding how or with whom to partner: is there freedom to form other relationships with suppliers such as hotels, airlines and car rental companies and is there the ability to create a flexible offer without any restrictions in place by the partner.

David Doucette provided his input on selecting the right partner. *"One consideration in partner selection is ongoing customer support. With Dynamic Packaging, Fairmont cannot control all components of the guest experience; however, since the guest executes the transaction through our proprietary channel, we wanted to ensure that strong support exists to deal with those inquiries."*

Identifying Customer Service Procedures and Responsibility

As mentioned in the *Identifying Technological Business Requirements section,* one key factor to ensure a successful Dynamic Packaging environment is identifying appropriate customer support. With Dynamic Packaging, the suppliers cannot control all components of the guest experience. Therefore, it is important to ensure a strong support exists among the technology providers and / or partner relationships.

Bryan Saltzburg of Travelocity offers the following statement, *"Making the booking in one seamless transaction is crucial to the packaging sell because it allows customers the convenience of going to one source for all of their customer service needs rather than dealing with the airline, hotel and rental car company separately."*

It was mentioned earlier the level of detail and customer care Mark Travel gives to assist their customers during the times of disasters or even to just support simple requests. This level of customer service can differentiate customer-centric companies from those who are non-customer centric.

Travelocity has also take efforts to ensure their customers are cared for in the light of the recent disasters such as the hurricanes that have been devastating areas in the gulf coast. *"We are proud of the fact that Travelocity customers can rely on the Travelocity Guarantee and our world class center call centers that have been working around the clock to ensure that their travel needs are met during this challenging time,"* Sylvia Lee offered.[23]

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[23]   Interview with Sylvia Lee, www.eyefortravel.com, October 2005

JetBlue has taken a slightly different approach to ensuring quality customer service. They hand pick specific hotels in the locations where they fly. *"'We only recommend places we love,' is our marketing message, and it is the way we are selecting the places we offer to our customers. Since we have the ability to select locations that meet our criteria, we have more confidence in the product we're offering our customer,"* said Hersh.

Matt Hersh continues by saying, *"We're honored to be an award-winning airline and pride ourselves on the customer service experience from beginning to end. At any point, a customer is not fully satisfied with their Getaways' experience; JetBlue will work with the business partner to ensure no future challenges."*

Integrating with CRM and Loyalty Programs

As stated at the beginning of this paper, true Dynamic Packaging is defined as a package for which the overall price and component prices change based on the business rules that govern them, as well as the value of the customer to the supplier, packager to intermediary, and the value of the trip to the traveler.[24] Or Dynamic Packaging "Nirvana".

Today, many hotel companies do not do a good job in understanding who their customers are. The current state of Dynamic Packaging for most is allowing the customers to select their choice of components.

The future should be to fully understand who the customer is and what their value is to, not only your company, but also to the restaurant, spa and all components. These are the pieces the industry typically does not have today.

"The more you know about your customer, the more relevant offers you can present as a purchasing opportunity, thus the more likely you are to get conversion and build loyalty," says Christine Brosnahan. *"It's all about relevancy. No one wants to sort through garbage."*

The industry will see greater supplier efficiency as these companies learn to target offers to their customers and offer special options, such as tying loyalty programs to their packaging offers.[25]

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[24] Dynamic Packaging Presentation, Christine Brosnahan, Carlson Hotels Worldwide, HEDNA Barcelona, May 2005

[25] JetBlue Plays for Extra Packaging Cash and Control, Travel Distribution Report, April 2005

"The industry has been seeking a way to obtain ancillary revenues for some time now – selling more without the 'hard sell', per se. Dynamic packaging tools (with opaque pricing options) allow travel companies to effectively sell more products together while creating value for the traveler - and without undermining each product's market price. In addition, the tool should allow clients to strategically upsell along and after the booking path according to the search each user conducts – another way by which the travel company can offer a richer buying experience for the customer without adding an irrelevant marketing push," says Tina Fitch, CEO of EzRez Solutions.

Tina Fitch paints a pretty picture for hoteliers: "Imagine not only having data on a guest's stay at the hotel, but on his entire travel pattern – the airline and car rental company he likes, and even the activities he prefers. This is a way to understand your consumer far better than in the past."[26]

Implementing in Contact Sales Center

During a recent interview with Timothy Mullen, vice president of marketing for Apple Vacations, he made the following statement, "...our improved website navigation, pricing and content research at www.Applevacations.com making it easier for consumers to research and price and compare their vacation options. 3 clicks to book a package special, 5 clicks for a dynamic package. Simple and fast. If they do not book online, which most do not, they are much more qualified and knowledgeable when they call..."[27]

In today's environment, the consumer is much more knowledgeable and savvy when they pick up the phone to call a contact sales center (formerly known as, and sometimes still referred to as, a call center or reservation agent) or contact sales representative.

The industry has been experiencing this with the proliferation of information that can be found on the Internet today. Today's contact sales representatives must take on a different role compared to a couple of years ago. They must be well informed and knowledgeable about all the travel products on the Internet, as well as how to use the various Web sites in order to help and support the consumers when they call in asking for their assistance.

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[26]   The dynamite of dynamic packaging, Hotel Report, April 2005

[27]   Interview with Timothy Mullen, www.eyefortravel.com, October 2005

With the increase in more complex Dynamic Packaging bookings (predicted to continue), as well as the increase in the information available to the consumers, the contact sales representatives must go to the next level of support – assisting the consumers in planning their entire trip experience.

This role is quite different from the traditional role contact sales agents historically have had. It used to be they were responsible for "order taking", and then moved to being a great sales person for one supplier's component(s) such as a hotel room along with the ability to answer questions about the hotel's restaurant, lounge and health club.

Now the industry expects them to be able to represent and effectively sell multiple components for multiple suppliers. This is quite a responsibility for somewhere that was originally hired to answer the phone and take basic orders for a hotel room. And realistically most players in the industry are still struggling with elevating their representatives to be a good sales person for one supplier's component such as a hotel room.

So where should the industry go from here in order to be successfully supporting consumers in this area? The following is a list of items to be considered when implementing a contact sales center or refining an existing one.

#	CONTACT SALES CENTER CONSIDERATIONS
1.	Review any existing position profiles that may currently exist (on paper or in theory) and revise them appropriately.
2.	Provide product knowledge training on all components for sale.
3.	Provide technology training on all systems required to book a Dynamic Package.
4.	Explain the value of the package sale to the hotel company.
5.	Offer incentives for booking packages versus just the room.
6.	Provide customer behavior training, so that the agent can perceive the true need of the customer and sell to those needs.

#	CONTACT SALES CENTER CONSIDERATIONS
7.	Integrate all systems with CRM data to allow more personalization during the sales call.
8.	Consider implementing familiarization trips to include the various components that may be offered as part of the packaging. This should include not only the overnight rooms, room service, restaurants and spa experiences but also if your company partners with external suppliers such as car rental companies or other transportation transfers, then include these items for the associates to experience. The point of this is for the associate to experience not only the service but also the best way to get from point A to point B. They need to be able to assist the guest with the entire planning and experience expected.
9.	Ensure they have all the tools needed such as access to what the customer is seeing online.
10.	Ensure they have the proper training to be a true sales person.

KEY PLAYERS AND THEIR APPROACH

There are a number of companies that have been addressed or referenced throughout this paper. Each of these companies plays different roles in the Dynamic Packaging environment.

The following is an overview of the various players and their approach to Dynamic Packaging. However, this is in no way an exhaustive list of all players.

Behind the Scenes: Technology Providers

The first type for review is the technology providers. They are the players that are typically behind the scenes and are not an obvious player to the consumer; however, they are a very important part of the picture. They are providing the technology supporting some of the top online supplier sites.

Neat Group

www.neatgroup.com

Incorporated in 1999 and acquired by Cendant in 2003, Neat developed the technology to help travel suppliers, agents and distributors address the growing demands of the consumers for additional packaging needs. Neat dynamic packaging defines and enforces business rules that allow all participants in the supply chain and distribution channel to market available inventory in combination with preferred partners, facilitating distribution without sacrificing control over the sale process.

Neat offers three products:

- NeatOnline™: A template-based private label packaging engine incorporating graphics of host Web site for self-booking by consumers;

- NeatAgent™: A packaging engine for managed travel environments such as travel agencies and call centers;

- NeatSource™: An administrative tool that provides real-time rules control and reporting for travel suppliers and distributors.

The following visual outlines the Neat control system:

Neat Dynamic Packaging - Control System
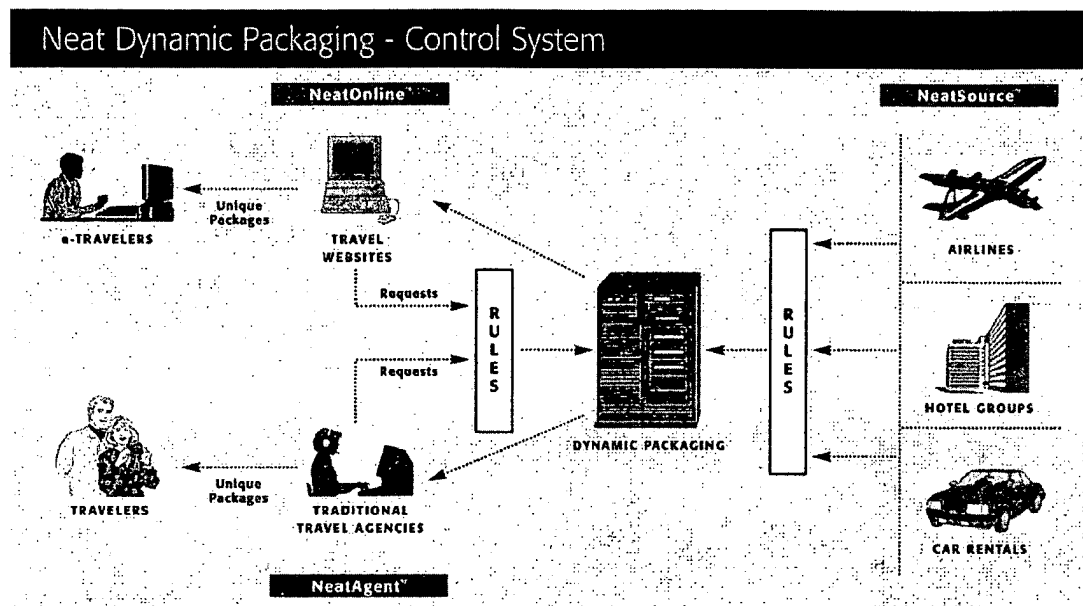
Neat's model allows supplier's to leverage their existing partnerships negotiated through the Cendant team. Or the suppliers can negotiate their own partnerships directly, as well as do a combination of both.

Neat claims to be the "first to market" with real-time dynamic packaging technology that enables consumers to created their own customized electronic packages (which they have coined as E-Packs™) with one search at one price. E-Packs™ are now available to an extensive network of 10,000 Galileo and other travel agencies and directly to consumers through airline and hotel company Web sites including United.com, Spiritair.com, Marriott.com, Frontier.com, Harrahs.com, Neattravel.com and more than 3,000 travel agency Web sites.

EzRez

www.ezrez.com

Incorporated in 2002, EzRez offers a travel exchange, where suppliers and distributors can connect. Suppliers have a choice between a packaging system that allows them to administer the system and leverage the EzRez partners by using a turnkey solution, or alternatively, the supplier can negotiate their own partnership deals.

The EzRez engine can be visually explained as follows:
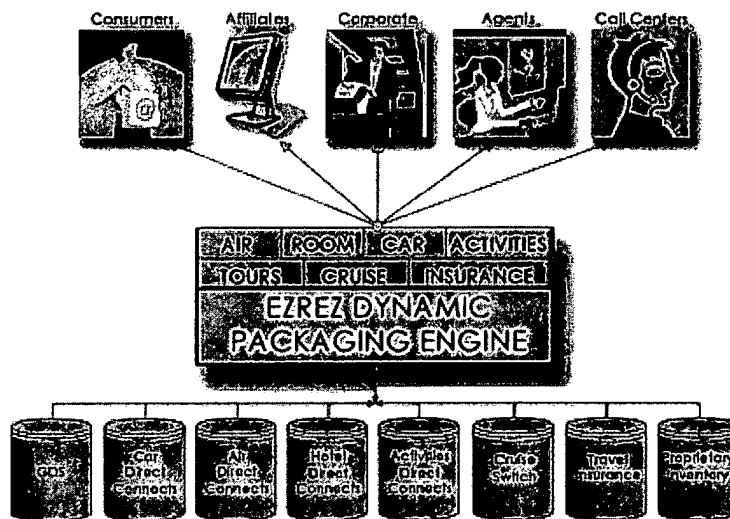
EzRez solutions include:

- Real-time dynamic packaging;
- Turnkey and modular online booking engines;
- Packaged cross-selling of outside inventory for supplier clients;
- Outside agent, subagent and co-branding capabilities;
- Seamless connections into legacy systems;
- Full integration with accounting and other back end functions;
- Customer Relationship Management tools.

WWTE (Worldwide Travel Exchange)

www.wwte.com/wwte.asp

WWTE is the private label solution offered by Expedia. WWTE has somewhat distanced themselves from Expedia from a branding perspective, though hotel companies can still take advantage of the Expedia association, which provides advantages such as the ability to leverage the Expedia merchant model content.

WWTE bundles wholesale lodging inventory (hotels and vacation rentals) or published or negotiated air ticket inventory with proprietary searches for airfare or hotels to deliver flexible and compelling vacation package options.

Customers can build their own vacation package by choosing a combination of available (published and negotiated rate) airfare and wholesale lodging to hundreds of destinations worldwide.

Customers can also choose add-on components. Choices include car rentals, ground transportation, sightseeing tours, theme park tickets, ski lift tickets and more.

WWTE also handles all customer service for packages booked via their engine. The call center is open 24-hours, 7 days per week. Customer service activities handled by WWTE include reservations processed with secure credit card transactions, ticketing, travel documentation, cancellations, technology updates, and quality 24-hour Customer Support (before, during, and after the trip).

Trisept Solutions

www.triseptsolutions.com

Trisept Solutions has perhaps the longest history in the provision of Dynamic Packaging technology to the industry. After more than 15 years of providing travel technology solutions for Mark Travel, Trisept Solutions was formed as an independent corporation in August 2000.

Trisept has a desire to be the foremost company providing leisure solutions to the travel industry. They process over US$2 billion in annual sales and are the engine behind more than 3,500,000 vacation package reservations annually.

Trisept made their first GDS vacation package booking in 1992 and in 1996, they powered their first online vacation package booking. Approximately 80% of the bookings processed for their clients are handled electronically.

Over 57,000 travel agents use VAX VacationAccess, the Trisept Web-based booking tool. In addition, ten leading domestic and international airlines use Trisept technology to package and sell their vacation products.

Trisept offers four main categories of products/services:

1. Travel packaging/distribution technology which includes dynamic travel packaging and integrated packaging, merchandising, operations and accounts.
2. Supplier distribution services which includes direct links, API connections for distribution and marketing services.
3. Travel e-marketing services which includes strategy creation, design, email/search engine marketing and analytics.

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4. Travel agency technology which includes VAX Vacation Access (www.vaxvacationaccess.com), private label booking solutions and consumer facing Web sites (B2B2C) and custom solutions.

NLG (National Leisure Group)

www.nlg.com

NLG (National Leisure Group) was founded in 1986. It is one of the nation's largest leisure travel companies, with nearly two decades of experience selling name-brand vacations and cruises direct to consumers. The company serves consumers through a portfolio of owned or licensed brands including Vacation Outlet, CruisesOnly, Cruises.com, Orbitz, Yahoo!, priceline.com, and many more. NLG's broad reach provides consumers the choice of planning and purchasing trips online using dynamic packaging technologies or offline with travel experts staffing retail stores and call centers.

NLG acted as an online tour aggregator for several years deploying their Dynamic Packaging solution only recently. Since 2000, the company has leveraged its industry expertise and partnered with major web companies. Online partnerships with Orbitz, Yahoo!, Priceline.com, Hotwire.com, Travelnow.com, Wal-Mart, Amazon.com, SAM's Club, Overstock.com and many more have gained NLG a reputation as a travel technology leader. The package content comes from the major tour operators such as Mark Travel.

CSI Media

www.dynamicpackaging.net

Based in the UK, the team at CSI Media has over 30 years experience in the travel industry. They provide dynamic packaging technology that is .net based and utilizes an integration process incorporating XML feeds.

CSI has most frequently powered tour operator sites. They allow the distributors to choose the supplier partners and then they facilitate the connectivity to systems and the technology that creates the dynamic package offerings to the consumer.

The fundamental workings of the CSI packaging system can be found below:
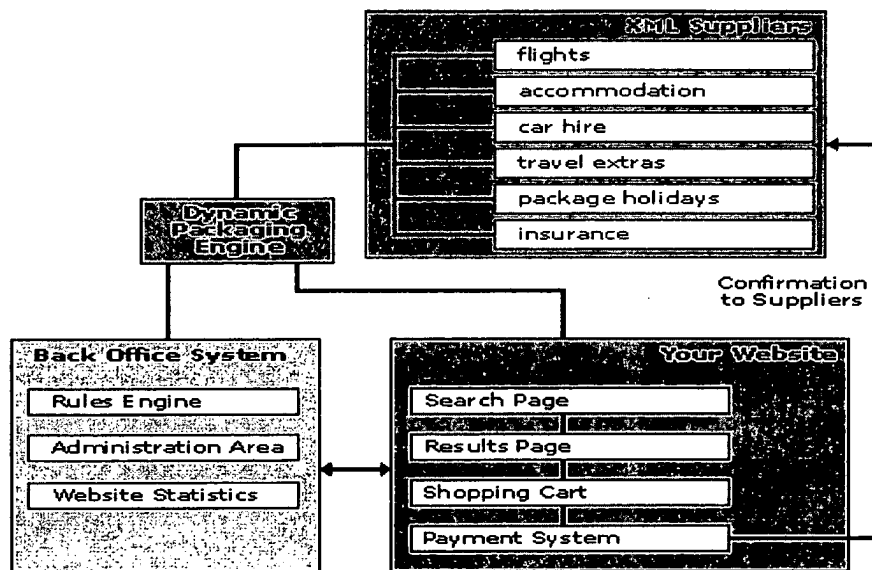
CSI Media's Dynamic Packaging Engine (DPE) can provide a supplier's Web site with a variety of XML feeds tailored to suit a supplier's travel Web site needs.

Global Booking Solutions

www.globalbookingsolutions.com

Global Booking Solutions is a new entrant into the Dynamic Packaging space. Their technology provider is Trisept Solutions.

Global provides a total management package, including access to airline bulk rates, Web site set up and integration, and technical assistance. Global Booking Solutions has relationships with many airlines to provide bulk fares, which can be combined with hotel net rates to create opaquely-priced packages for the consumer. Activities and additional components can be added into the package at the consumer's choice as well.

Front and Center: Online Package Retailers

The online package retailers are much more obvious to the consumer. One of the major benefits to these companies is they have already built relationships directly with the consumers and suppliers. Therefore, it is much easier to get Dynamic Packaging initiatives implemented with an online retailer.

In many cases, for hotels, more package business is coming from the online agencies than their own Web sites, as consumers are expecting to find this type of offer available on these popular sites. The following is a brief overview of some of the players.

Expedia

www.expedia.com

Expedia indicated in 2004 that 30% of their bookings at the time were package bookings.[28] They were the first online agency to introduce bundled packaging on their site and thus, have a market share advantage by being the first to market with a dynamic packaging offer.

Expedia has another advantage, via their IAC relationship, which allows them to obtain exclusive offers. For example, because IAC also owns Ticketmaster, Expedia has access to ticket inventory for events that often other online agencies have difficulty matching.

Expedia ensure that packaging is front and center on their Web site, which is a lesson for anyone who desires to be successful selling packages:

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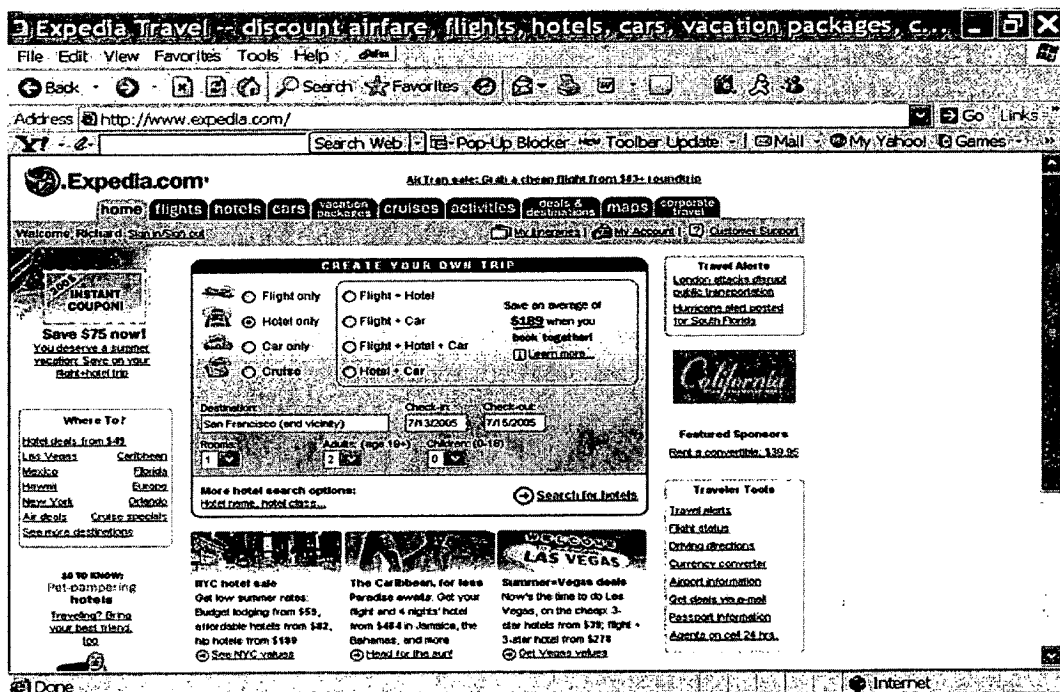
[28] *Design Your Own Discount Getaway*, Timothy J. Mullaney, February 2004

Through WWTE, suppliers can partner with Expedia to private label the dynamic packaging functionality of Expedia.

Travelocity

www.travelocity.com

Travelocity introduced its dynamic packaging engine about two years after Expedia. Their dynamic packaging is offered to consumers as the TotalTrip™ solution.

In October 2005, Travelocity reported that packaging revenue grew 81% year over year for second quarter 2005 versus second quarter 2004. They are continuing to focus efforts on increasing production from this already growing segment of their business.

They have also recently enhanced their dynamic packaging engine to allow customers to book up to four hotel rooms in a single booking and have introduced an intuitive calendar that shows customers how much they are saving by booking a package. From there, the consumers can then add on other components after viewing the amount of money they are saving on the air/car/hotel combination.

Suppliers can partner with Travelocity to offer dynamic packaging functionality on their Web sites.

Orbitz

www.orbitz.com

Orbitz also introduced a dynamic packaging capability approximately two years after Expedia. In late 2004, Orbitz introduced a proprietary system for packaging that enhanced their ability to offer more robust discounts to consumers. At the time, Orbitz indicated that vacation packages had become one of their fastest growing segments. The private label of the packaging functionality is the sister company of Neat.

Orbitz believes they have an advantage with the consumer because of their "Vacation Matrix", which shows air/hotel/car pricing on one screen for comparison purposes. With one click, Orbitz "Vacation Matrix" displays up to six airline and 20 hotel options, showing a total of up to 120 different flight-plus-hotel vacation package combinations at one time. Further streamlining the booking process, Orbitz allows users to sort airline and hotel options by the following criteria: Best Value, Lowest Price, Star Rating and Hotel Name. Orbitz also provides added flexibility to customize a vacation by searching preferred room categories once a hotel has been selected.

Opodo

www.opodo.com

Opodo is a European online travel company. They were founded by some of the major European airlines and now majority owned by Amadeus. Opodo launched their first site – www.opodo.de – in Germany during 2001. Since then they have continued to expand into other European countries with a total of 12 sites.

Opodo has contracted with OpenJaw to power their dynamic package offering. They are using the xDistributor product to enable dynamic packaging on their site. This agreement was finalized in June, 2005; therefore, true dynamic packaging functionality should be available soon on Opodo.com.

In addition, they have a number of partners who offer various more traditional package capabilities on Opodo.com. These include Quest Travel and directski.com.

Supplier Sites

Throughout this paper, a number of supplier sites have been addressed and referenced as examples of some companies that have decided to manage their Dynamic Packaging initiatives directly on their own proprietary Web sites. Some examples are as follows:

Radisson Hotels & Resorts

www.radissonvacations.com

Radisson has deployed the WWTE engine as the power behind its Dynamic Packaging tool.

The product allows their customers to search for packages, hotels, airlines and activities in a Radisson destination.

Hyatt Vacations

www.hyatt.com

As with Radisson, Hyatt is using the WWTE engine behind their Dynamic Packaging tool. As showed earlier in this paper, the Hyatt customer can access the package information directly from their home page or visit www.hyattvacations.com.

United Vacations

www.unitedvacations.com

United Vacations uses the Trisept Solutions technology to power its Dynamic Packaging tool.

Traditional Tour Operators and Wholesalers

Finally, some other key players in the Dynamic Packaging arena are the tour operators and wholesalers. While some tour operators (not all) may have been late adaptors to the technology offerings, many do appear to be catching up and may even have more to offer to the consumer.

However, their market share has certainly been impacted by the ability of the online agencies and individual supplier sites to offer more flexible packaging.

Some companies in this segment, such as Mark Travel, have been in the packaging arena for many years and have been rather successful at transferring their expertise online. The big difference now is they have more sophisticated technology to help support their Dynamic Packaging needs. Mark Travel uses Trisept Solutions for their technology.

Because of their level of experience in packaged travel, often these companies can offer a greater level of service to the consumer. In most cases, their employees understand the complexity of supporting a packaged sale and know how to assist the consumer, no matter what the issue.

CONCLUSION

With the growing popularity of Dynamic Packaging, hotels would be wise to invest time and resources into investigating and offering market-and-brand-appropriate Dynamic Packaging capabilities. Whether a hotel partners with OTA's to further their penetration into this market or chooses to create a private-label partnership on their own Web site can only be determined for the specific needs of each hotel company individually.

As has been explored throughout this paper, Dynamic Packaging not only has a significant impact on the consumer and their desires, but it also provides enormous opportunity for hotels in other areas such as customer relationship management and revenue management. Furthermore, hotels in the future should employ strategies that offer additional amenities or services to the consumer that are relevant and targeted to that exact customer at the right time for the right reasons. This ultimately increases revenue for a hotel.

The majority of the research and interviews for this paper indicated that Dynamic Packaging is here to stay and will take an increasing share of the market. All also indicated that more change to provide customer-centric packaging is on the way.

One of the participant's closing remarks was, *"Total component flexibility is key to the success of a Dynamic Packaging operation. A Dynamic Packaging operation that puts the customer at the center, assembling together packages that the customer actually wants, dynamically pricing these in response to current market conditions and all with lower fixed costs as a result of reduced or nil inventory commitments."*

While most do agree that Dynamic Packaging will continue to grow and become more and more popular, there are still some very important unresolved issues that must be further explored to make this segment more successful for all. These issues have been identified and addressed in this paper and are recapped as follows:

- There is a lack of one universal industry definition of Dynamic Packaging.

- Today, no one has the ability to achieve true Dynamic Packaging or "Dynamic Packaging Nirvana".

- It is necessary for key players to explore a closer relationship between Dynamic Packaging technology and revenue management systems.

- There is a lack of pricing intelligence associated with Dynamic Packaging. Hotels, and all suppliers, need to further understand what the discount price point threshold is in order to be successful and not over-discount.

- Hotels need to work toward learning more about their customers' wants, needs and preferences in order to provide them with a better experience.

- All industry players need to be willing to work together and share information (and sometimes systems) in order to satisfy the consumers' needs.

The above issues need to be further explored together by the industry as a whole in order to achieve greater success, and further customer loyalty, through Dynamic Packaging.

GLOSSARY

Average Daily Rate **(ADR)**	Figure derived by dividing actual daily revenue by the total number of rooms sold.
CRM	Customer Relationship Management. The name given to increasingly sophisticated programs to maintain close, lasting relationships between a company and its customers, between a hotel and its guests.
Coopetition	A term describing close cooperation between competitors to achieve a similar end goal – customer satisfaction and increased revenue.
Dynamic Packaging	Dynamic packaging is the term used to describe the ability for a consumer to create their own packages by choosing the components of the package as they shop, where the component prices are not shown to the consumer.
Revenue Management System **(RMS)**	The computer system a hotel uses as a tool to assist with the maximization of revenue. The system typically contains information on the hotel's availability, room types, stay patterns (future and historical), ALOS, etc. The systems can be automated or manual.